



General Assembly

Amendment

January Session, 2021

LCO No. 6616



Offered by:
REP. WOOD, 29th Dist.

To: Subst. House Bill No. 6391

File No. 338

Cal. No. 254

**"AN ACT CONCERNING THE INSURANCE DEPARTMENT'S
RECOMMENDATIONS REGARDING THE GENERAL STATUTES."**

1 After the last section, add the following and renumber sections and
2 internal references accordingly:

3 "Sec. 501. Section 38a-85 of the general statutes is repealed and the
4 following is substituted in lieu thereof (*Effective October 1, 2021*):

5 (a) (1) Credit for reinsurance shall be allowed a domestic ceding
6 insurer as either an asset or a deduction from liability on account of
7 reinsurance ceded only when the reinsurer meets the requirements of:

8 [(1)] (A) Subsection (b) of this section;

9 [(2)] (B) Subsection (c) of this section;

10 [(3)] (C) Subsections (d) and (h) of this section;

11 [(4)] (D) Subsections (e), (h) and (i) of this section;

12 [(5)] (E) Subsections (f) and (i) of this section;
13 [(6)] (F) Subsection (g) of this section; [or]
14 (G) Subsection (h) of this section; or
15 [(7)] (H) Any regulation adopted pursuant to subsection (b) of section
16 38a-88, as amended by this act.

17 (2) Credit shall be allowed under subsection (b), (c) or (d) of this
18 section only as respects cessions of those kinds or classes of business
19 which the assuming insurer is licensed or otherwise permitted to write
20 or assume in its state of domicile, or, in the case of a United States branch
21 of an alien assuming insurer, in the state through which it is entered and
22 licensed to transact insurance or reinsurance. Credit shall be allowed
23 under subsection (d) or (e) of this section only if the applicable
24 requirements of subsection (i) of this section have been satisfied.

25 (b) Credit shall be allowed when the reinsurance is ceded to an
26 assuming insurer that is licensed to transact insurance or reinsurance in
27 this state.

28 (c) (1) Credit shall be allowed when the reinsurance is ceded to an
29 assuming insurer that is accredited by the commissioner as a reinsurer
30 in this state. To be eligible for accreditation, an insurer shall (A) file with
31 the commissioner evidence of its submission to this state's jurisdiction,
32 (B) submit to this state's authority to examine its books and records, (C)
33 be licensed to transact insurance or reinsurance in at least one state, or
34 in the case of a United States branch of an alien assuming insurer is
35 entered through and licensed to transact insurance or reinsurance in at
36 least one state, (D) file annually with the commissioner a copy of its
37 annual statement filed with the insurance department of its state of
38 domicile and a copy of its most recent audited financial statement, and
39 (E) demonstrate to the satisfaction of the commissioner that it has
40 adequate financial capacity to meet its reinsurance obligations and is
41 otherwise qualified to assume reinsurance from a domestic insurer. An
42 assuming insurer shall be deemed to meet the requirements of this

43 subparagraph if it maintains a surplus with regard to policyholders of
44 not less than twenty million dollars at the time of accreditation and its
45 accreditation has not been denied by the commissioner within ninety
46 days after the date the insurer submitted its application.

47 (2) Each accredited reinsurer doing business in this state shall,
48 annually, on or before the first day of March, submit to the
49 commissioner, by electronically filing with the National Association of
50 Insurance Commissioners, a true and complete report, signed and
51 sworn to by its president or a vice president, and secretary or an
52 assistant secretary, of its financial condition on the thirty-first day of
53 December next preceding, prepared in accordance with the National
54 Association of Insurance Commissioners annual statement instructions
55 handbook and following those accounting procedures and practices
56 prescribed by the National Association of Insurance Commissioners
57 accounting practices and procedures manual, subject to any deviations
58 in form and detail as may be prescribed by the commissioner. An
59 electronically filed report in accordance with section 38a-53a that is
60 timely submitted to the National Association of Insurance
61 Commissioners shall be deemed to have been submitted to the
62 commissioner in accordance with this subdivision.

63 (d) Credit shall be allowed when the reinsurance is ceded to an
64 assuming insurer that is domiciled and licensed in, or in the case of a
65 United States branch of an alien assuming insurer is entered through, a
66 state that employs standards regarding credit for reinsurance
67 substantially similar to those applicable in this state and the assuming
68 insurer or United States branch of an alien assuming insurer (1)
69 maintains a surplus with regard to policyholders in an amount not less
70 than twenty million dollars, and (2) submits to the authority of this state
71 to examine its books and records. The requirement of subdivision (1) of
72 this subsection shall not apply to reinsurance ceded and assumed
73 pursuant to pooling arrangements among insurers in the same holding
74 company system.

75 (e) (1) Credit shall be allowed when the reinsurance is ceded to an

76 assuming insurer that maintains a trust that complies with the
77 requirements of subdivisions (2) and (3) of this subsection in a qualified
78 United States financial institution, as defined in section 38a-87, for the
79 payment of the valid claims of its United States policyholders and
80 ceding insurers, and their assigns and successors in interest. The
81 assuming insurer shall (A) report annually to the commissioner
82 information substantially the same as that required to be reported in the
83 National Association of Insurance Commissioners' Annual Statement
84 form by licensed insurers, to enable the commissioner to determine the
85 sufficiency of the trust fund, and (B) submit to, and pay the expenses of,
86 examination of its books and records by the commissioner.

87 (2) (A) No credit for reinsurance shall be allowed under subdivision
88 (1) of this subsection unless:

89 (i) The form of the trust and any amendments to the trust have been
90 approved by (I) the insurance regulatory official of the state of domicile
91 of the trust, or (II) the insurance regulatory official of another state who
92 has, pursuant to the terms of the trust instrument, accepted principal
93 regulatory oversight of the trust;

94 (ii) The form of the trust and any amendments to the trust have been
95 filed with the insurance regulatory officials of each state in which ceding
96 insurer beneficiaries of the trust are domiciled; and

97 (iii) The trust instrument (I) provides that a contested claim shall be
98 valid and enforceable upon the entry of a final order of a court of
99 competent jurisdiction in the United States, and (II) vests legal title to its
100 assets in its trustees for the benefit of the assuming insurer's domestic
101 and foreign policyholders and ceding insurers, and their assigns and
102 successors in interest.

103 (B) (i) The trust shall be subject to examination by the commissioner
104 and shall remain in effect for as long as the assuming insurer has
105 outstanding obligations due under the reinsurance agreements subject
106 to the trust.

107 (ii) Not later than March first, annually, the trustee of the trust shall
108 (I) report to the commissioner, in writing, the balance and a list of the
109 investments of the trust at the end of the preceding calendar year, and
110 (II) certify to the commissioner the date of termination of the trust, if so
111 planned, or that the trust will not expire prior to the following December
112 thirty-first.

113 (3) (A) (i) In the case of a single assuming insurer, the trust shall
114 consist of a trusteed account with funds in an amount not less than the
115 assuming insurer's liabilities attributable to reinsurance ceded by
116 domestic and foreign ceding insurers and, unless otherwise provided in
117 subparagraph (A)(ii) of this subdivision, the assuming insurer shall
118 maintain a trusteed surplus of not less than twenty million dollars.

119 (ii) (I) The insurance regulatory official with principal oversight of the
120 trust may authorize a reduction in the required trusteed surplus.

121 (II) For a trust over which the commissioner has principal regulatory
122 oversight, at any time after the assuming insurer has permanently
123 discontinued for at least three full years underwriting new business
124 secured by the trust, the commissioner may authorize a reduction in the
125 required trusteed surplus. Such reduction shall be made only after the
126 commissioner finds, based on a risk assessment, that the reduced
127 surplus level is adequate to protect domestic and foreign policyholders
128 and ceding insurers and claimants in light of reasonably foreseeable
129 adverse loss development. The risk assessment may involve an actuarial
130 review, including an independent analysis of reserves and cash flows,
131 and shall consider all material risk factors, including, when applicable,
132 the lines of business involved, the stability of the incurred loss estimates
133 and the effect of the surplus requirements on the assuming insurer's
134 liquidity or solvency. The minimum required surplus shall not be
135 reduced to an amount less than thirty per cent of the assuming insurer's
136 liabilities attributable to reinsurance ceded by domestic and foreign
137 ceding insurers covered by the trust.

138 (B) In the case of an assuming insurer that is a group including

139 incorporated and individual unincorporated underwriters:

140 (i) (I) For reinsurance ceded under a reinsurance agreement with an
141 inception date prior to January 1, 1993, and not amended or renewed
142 after said date, the trust shall consist of a trusteed account with funds in
143 an amount not less than such underwriters' several insurance and
144 reinsurance liabilities attributable to business written in the United
145 States; or

146 (II) For reinsurance ceded under a reinsurance agreement with an
147 inception date on or after January 1, 1993, the trust shall consist of a
148 trusteed account with funds in an amount not less than such
149 underwriters' several liabilities attributable to business ceded by
150 domestic and foreign ceding insurers to any underwriter who is a
151 member of the group; [and]

152 (ii) In addition to a trust specified in subparagraph (B)(i)(I) or (B)(i)(II)
153 of this subdivision, the group shall maintain, for all years of account, a
154 trusteed surplus of which one hundred million dollars shall be held
155 jointly for the benefit of domestic and foreign ceding insurers of any
156 member of the group; [and]

157 (iii) The incorporated members of the group shall not be engaged in
158 any business other than underwriting as a member of the group and
159 shall be subject to the same level of solvency regulation and solvency
160 control by the group's domiciliary insurance regulatory official as are
161 the unincorporated members; and

162 (iv) Not later than ninety days after its financial statements are due to
163 be filed with the group's domiciliary insurance regulatory official, the
164 group shall provide to the commissioner an annual certification by the
165 group's domiciliary insurance regulatory official of the solvency of each
166 underwriter who is a member of the group or, if such certification is not
167 provided by the group's domiciliary insurance regulatory official,
168 financial statements prepared by independent public accountants of
169 each such underwriter.

170 (C) In the case of a group of incorporated underwriters under
171 common administration:

172 (i) The group shall be accredited and have continuously transacted
173 an insurance business outside the United States for at least three years
174 immediately prior to applying for accreditation;

175 (ii) The trust shall consist of a trustee account with funds in an
176 amount not less than such underwriters' several liabilities attributable
177 to business ceded by domestic and foreign ceding insurers pursuant to
178 a reinsurance contract issued in the name of the group to any
179 underwriter who is a member of the group;

180 (iii) In addition to such trust, the group shall maintain (I) an aggregate
181 policyholders' surplus of not less than ten billion dollars, and (II) a joint
182 trustee surplus of which one hundred million dollars shall be held
183 jointly for the benefit of domestic and foreign ceding insurers of any
184 member of the group as additional security for these liabilities; and

185 (iv) Not later than ninety days after its financial statements are due to
186 be filed with the group's domiciliary insurance regulatory official, the
187 group shall make available to the commissioner an annual certification
188 by the group's domiciliary insurance regulatory official of the solvency
189 of each underwriter who is a member of the group and financial
190 statements prepared by independent public accountants of each such
191 underwriter.

192 (f) (1) Credit shall be allowed when the reinsurance is ceded to an
193 assuming insurer that is certified in accordance with section 38a-85a by
194 the commissioner as a reinsurer in this state and such certified reinsurer
195 maintains security in a form and amounts set forth in subdivision (3) of
196 subsection (e) of this section or, for a multibeneficiary trust set forth in
197 subdivision (2) of subsection (e) of section 38a-85a, in accordance with
198 the provisions of subdivision (2) of subsection (e) of section 38a-85a.

199 (2) If the security is not sufficient with respect to obligations incurred
200 by a certified reinsurer, the commissioner shall reduce the credit

201 allowed by an amount proportionate to the deficiency and may impose
202 further reductions in the credit allowed if the commissioner finds there
203 is a material risk that such obligations will not be paid in full when due.

204 (g) (1) Credit shall be allowed when the reinsurance is ceded to an
205 assuming insurer meeting each of the conditions set forth below:

206 (A) The assuming insurer shall have its head office or be domiciled
207 in, as applicable, and be licensed in a reciprocal jurisdiction. A
208 "reciprocal jurisdiction" is a jurisdiction that meets one of the following:

209 (i) A non-United States jurisdiction that is subject to an in-force
210 covered agreement with the United States, each within its legal
211 authority, or, in the case of a covered agreement between the United
212 States and the European Union, is a member state of the European
213 Union. For purposes of this subsection, a "covered agreement" is an
214 agreement entered into pursuant to the Dodd-Frank Wall Street Reform
215 and Consumer Protection Act, 31 USC Sections 313 and 314, that is
216 currently in effect or in a period of provisional application and
217 addresses the elimination, under specified conditions, of collateral
218 requirements as a condition for entering into any reinsurance agreement
219 with a ceding insurer domiciled in this state or for allowing the ceding
220 insurer to recognize credit for reinsurance;

221 (ii) A United States jurisdiction that meets the requirements for
222 accreditation under the National Association of Insurance
223 Commissioners' financial standards and accreditation program; or

224 (iii) A qualified jurisdiction, as determined by the commissioner
225 pursuant to subsection (c) of section 38a-85a, which is not otherwise
226 described in subparagraph (A)(i) or (A)(ii) of this subdivision and which
227 meets certain additional requirements, consistent with the terms and
228 conditions of in-force covered agreements, as specified by the
229 commissioner in regulations adopted in accordance with the provisions
230 of chapter 54.

231 (B) The assuming insurer shall have and maintain, on an ongoing

232 basis, minimum capital and surplus, or its equivalent, calculated
233 according to the methodology of its domiciliary jurisdiction, in an
234 amount to be set forth in regulation. If the assuming insurer is an
235 association, including incorporated and individual unincorporated
236 underwriters, it shall have and maintain, on an ongoing basis, minimum
237 capital and surplus equivalents, net of liabilities, calculated according to
238 the methodology applicable in its domiciliary jurisdiction, and a central
239 fund containing a balance in amounts to be set forth in regulation.

240 (C) The assuming insurer shall have and maintain, on an ongoing
241 basis, a minimum solvency or capital ratio, as applicable, which will be
242 set forth in regulation. If the assuming insurer is an association,
243 including incorporated and individual unincorporated underwriters, it
244 shall have and maintain, on an ongoing basis, a minimum solvency or
245 capital ratio in the reciprocal jurisdiction where the assuming insurer
246 has its head office or is domiciled, as applicable, and is also licensed.

247 (D) The assuming insurer shall agree and provide adequate
248 assurance to the commissioner, in a form specified by the commissioner
249 pursuant to regulation, as follows:

250 (i) The assuming insurer shall provide prompt written notice and
251 explanation to the commissioner if it falls below the minimum
252 requirements set forth in subparagraph (B) or (C) of this subdivision, or
253 if any regulatory action is taken against it for serious noncompliance
254 with applicable law;

255 (ii) The assuming insurer shall consent in writing to the jurisdiction
256 of the courts of this state and to the appointment of the commissioner as
257 agent for service of process. The commissioner may require that consent
258 for service of process be provided to the commissioner and included in
259 each reinsurance agreement. Nothing in this provision shall limit, or in
260 any way alter, the capacity of parties to a reinsurance agreement to agree
261 to alternative dispute resolution mechanisms, except to the extent such
262 agreements are unenforceable under applicable insolvency or
263 delinquency laws;

264 (iii) The assuming insurer shall consent in writing to pay all final
265 judgments, wherever enforcement is sought, obtained by a ceding
266 insurer or its legal successor, that have been declared enforceable in the
267 jurisdiction where the judgment was obtained;

268 (iv) Each reinsurance agreement shall include a provision requiring
269 the assuming insurer to provide security in an amount equal to one
270 hundred per cent of the assuming insurer's liabilities attributable to
271 reinsurance ceded pursuant to that agreement if the assuming insurer
272 resists enforcement of a final judgment that is enforceable under the law
273 of the jurisdiction in which it was obtained or a properly enforceable
274 arbitration award, whether obtained by the ceding insurer or by its legal
275 successor on behalf of its resolution estate; and

276 (v) The assuming insurer shall confirm that it is not presently
277 participating in any solvent scheme of arrangement that involves this
278 state's ceding insurers, and agree to notify the ceding insurer and the
279 commissioner and to provide security in an amount equal to one
280 hundred per cent of the assuming insurer's liabilities to the ceding
281 insurer, should the assuming insurer enter into such a solvent scheme
282 of arrangement. Such security shall be in a form consistent with the
283 provisions of subsection (f) of this section and sections 38a-85a and 38a-
284 86 and as specified in regulations adopted by the commissioner in
285 accordance with the provisions of chapter 54.

286 (E) The assuming insurer or its legal successor shall provide, if
287 requested by the commissioner, on behalf of itself and any legal
288 predecessors, certain documentation to the commissioner, as specified
289 by the commissioner in regulation.

290 (F) The assuming insurer shall maintain a practice of prompt
291 payment of claims under reinsurance agreements, pursuant to criteria
292 set forth in regulation.

293 (G) The assuming insurer's supervisory authority shall confirm to the
294 commissioner on an annual basis, as of the preceding December thirty-
295 first or at the annual date otherwise statutorily reported to the reciprocal

296 jurisdiction, that the assuming insurer complies with the requirements
297 set forth in subparagraphs (B) and (C) of this subdivision.

298 (H) Nothing in this provision precludes an assuming insurer from
299 providing the commissioner with information on a voluntary basis.

300 (2) The commissioner shall timely create and publish a list of
301 reciprocal jurisdictions.

302 (A) A list of reciprocal jurisdictions is published through the National
303 Association of Insurance Commissioners' committee process. The
304 commissioner's list shall include any reciprocal jurisdiction as defined
305 under subparagraphs (A)(i) and (A)(ii) of subdivision (1) of this
306 subsection, and shall consider any other reciprocal jurisdiction included
307 on the National Association of Insurance Commissioners' list. The
308 commissioner may approve a jurisdiction that does not appear on the
309 National Association of Insurance Commissioners' list of reciprocal
310 jurisdictions in accordance with criteria to be developed under
311 regulations adopted by the commissioner in accordance with the
312 provisions of chapter 54.

313 (B) The commissioner may remove a jurisdiction from the list of
314 reciprocal jurisdictions upon a determination that the jurisdiction no
315 longer meets the requirements of a reciprocal jurisdiction, in accordance
316 with a process set forth in regulations adopted by the commissioner
317 pursuant to chapter 54, except that the commissioner shall not remove
318 from the list a reciprocal jurisdiction as defined under subparagraphs
319 (A)(i) and (A)(ii) of subdivision (1) of this subsection. Upon removal of
320 a reciprocal jurisdiction from this list, credit for reinsurance ceded to an
321 assuming insurer which has its home office or is domiciled in that
322 jurisdiction shall be allowed, if otherwise allowed pursuant to this
323 section and sections 38a-85a to 38a-88, inclusive, as amended by this act.

324 (3) The commissioner shall timely create and publish a list of
325 assuming insurers that have satisfied the conditions set forth in this
326 subsection and to which cessions shall be granted credit in accordance
327 with this subsection. The commissioner may add an assuming insurer

328 to such list if a National Association of Insurance Commissioners
329 accredited jurisdiction has added such assuming insurer to a list of such
330 assuming insurers or if, upon initial eligibility, the assuming insurer
331 submits the information to the commissioner as required under
332 subparagraph (D) of subdivision (1) of this subsection and complies
333 with any additional requirements that the commissioner may impose by
334 regulation, except to the extent that they conflict with an applicable
335 covered agreement.

336 (4) If the commissioner determines that an assuming insurer no
337 longer meets one or more of the requirements under this subsection, the
338 commissioner may revoke or suspend the eligibility of the assuming
339 insurer for recognition under this subsection in accordance with
340 procedures set forth in regulation.

341 (A) While an assuming insurer's eligibility is suspended, no
342 reinsurance agreement issued, amended or renewed after the effective
343 date of the suspension qualifies for credit except to the extent that the
344 assuming insurer's obligations under the contract are secured in
345 accordance with section 38a-86.

346 (B) If an assuming insurer's eligibility is revoked, no credit for
347 reinsurance may be granted after the effective date of the revocation
348 with respect to any reinsurance agreements entered into by the
349 assuming insurer, including reinsurance agreements entered into prior
350 to the date of revocation, except to the extent that the assuming insurer's
351 obligations under the contract are secured in a form acceptable to the
352 commissioner and consistent with the provisions of section 38a-86.

353 (5) If subject to a legal process of rehabilitation, liquidation or
354 conservation, as applicable, the ceding insurer, or its representative,
355 may seek and, if determined appropriate by the court in which the
356 proceedings are pending, may obtain an order requiring that the
357 assuming insurer post security for all outstanding ceded liabilities.

358 (6) Nothing in this subsection shall limit or in any way alter the
359 capacity of parties to a reinsurance agreement to agree on requirements

360 for security or other terms in that reinsurance agreement, except as
361 expressly prohibited by this section and sections 38a-85a to 38a-88,
362 inclusive, as amended by this act, or other applicable law or regulation.

363 (7) Credit may be taken under this subsection only for reinsurance
364 agreements entered into, amended or renewed on or after October 1,
365 2021, and only with respect to losses incurred and reserves reported on
366 or after the later of the date on which the assuming insurer has met all
367 eligibility requirements pursuant to subdivision (1) of this subsection,
368 and the effective date of the new reinsurance agreement, amendment or
369 renewal.

370 (A) This subsection does not alter or impair a ceding insurer's right
371 to take credit for reinsurance, to the extent that credit is not available
372 under this subsection, as long as the reinsurance qualifies for credit
373 under any other applicable provision of this section or sections 38a-85a
374 to 38a-88, inclusive, as amended by this act.

375 (B) Nothing in this subsection shall authorize an assuming insurer to
376 withdraw or reduce the security provided under any reinsurance
377 agreement except as permitted by the terms of the agreement.

378 (C) Nothing in this subsection shall limit, or in any way alter, the
379 capacity of parties to any reinsurance agreement to renegotiate the
380 agreement.

381 [(g)] (h) Credit shall be allowed when the reinsurance is ceded to an
382 assuming insurer not meeting the requirements of subsection (b), (c),
383 (d), (e), [or] (f) or (g) of this section but only with respect to the insurance
384 of risks located in jurisdictions where such reinsurance is required by
385 applicable law or regulation of that jurisdiction.

386 [(h)] (i) If the assuming insurer is not licensed, accredited or certified
387 to transact insurance or reinsurance in this state, the credit permitted by
388 subsection (d) or (e) of this section shall not be allowed unless the
389 assuming insurer agrees (1) that in the event of the failure of the
390 assuming insurer to perform its obligations under the terms of the

391 reinsurance agreement, the assuming insurer, at the request of the
392 ceding insurer, shall (A) submit to the jurisdiction of any court of
393 competent jurisdiction in any state of the United States, (B) comply with
394 all requirements necessary to give such court jurisdiction, and (C) abide
395 by the final decision of such court or any appellate court in the event of
396 an appeal, and (2) to designate the commissioner or a designated
397 attorney as its true and lawful attorney upon whom may be served any
398 lawful process in any action, suit or proceeding instituted by or on
399 behalf of the ceding company. This provision is not intended to conflict
400 with or override the obligation of the parties to a reinsurance agreement
401 to arbitrate their disputes, if such an obligation is created in the
402 agreement.

403 [(i)] (j) If the assuming insurer does not meet the requirements of
404 subsection (b), (c), [or] (d) or (g) of this section, the credit permitted by
405 subsection (e) or (f) of this section shall not be allowed unless the
406 assuming insurer agrees to the following conditions in the trust
407 instrument:

408 (1) Notwithstanding any provision of the trust instrument, if the trust
409 contains an amount less than the amount required under subdivision (3)
410 of subsection (e) of this section or if the grantor of the trust has been
411 declared insolvent or placed in receivership, rehabilitation, liquidation
412 or a similar proceeding under the laws of its state or country of domicile,
413 the trustee shall comply with an order of the insurance regulatory
414 official with principal regulatory oversight of the trust or with an order
415 of a court of competent jurisdiction that directs the trustee to transfer all
416 trust assets to the insurance regulatory official with principal regulatory
417 oversight of the trust;

418 (2) The trust assets shall be distributed by and claims filed with and
419 valued by the insurance regulatory official with principal regulatory
420 oversight of the trust in accordance with the laws of the trust's state of
421 domicile that are applicable to the liquidation of domestic insurance
422 companies;

423 (3) The trustee shall distribute any trust assets or part thereof that are
424 returned by the insurance regulatory official with principal regulatory
425 oversight of the trust, based on such regulatory official's determination
426 that such assets or part thereof are not necessary to satisfy the claims of
427 domestic and foreign ceding insurers of the grantor of the trust, in
428 accordance with the trust instrument; and

429 (4) The grantor of the trust waives any right otherwise available to
430 the grantor under law that is inconsistent with subdivisions (1) to (3),
431 inclusive, of this subsection.

432 ~~[(j)]~~ (k) (1) (A) The commissioner may suspend or revoke a reinsurer's
433 accreditation or certification if, after notice and hearing, the
434 commissioner finds such reinsurer no longer meets the requirements for
435 accreditation or certification.

436 (B) If a certified reinsurer's domiciliary jurisdiction ceases to be a
437 qualified jurisdiction, as set forth in section 38a-85a, the commissioner
438 may suspend the reinsurer's certification indefinitely, in lieu of
439 revocation.

440 (2) The commissioner may suspend or revoke a reinsurer's
441 accreditation or certification without notice and a hearing if:

442 (A) The reinsurer waives its right to a hearing;

443 (B) The commissioner's action is based on (i) regulatory action taken
444 by a regulatory official of the reinsurer's state of domicile, or (ii) the
445 voluntary surrender or termination of the reinsurer's eligibility to
446 transact the business of insurance or reinsurance in its state of domicile
447 or its primary certifying jurisdiction as described in subdivision (2) of
448 subsection (a) of section 38a-85a; or

449 (C) The commissioner finds that immediate action is required to
450 protect the public and a court of competent jurisdiction has not stayed
451 the commissioner's action.

452 (3) (A) While a reinsurer's accreditation or certification is suspended,

453 no credit shall be allowed under this section for a reinsurance contract
454 issued or renewed by the reinsurer on or after the effective date of such
455 suspension, except to the extent that such reinsurer's obligations under
456 such contract are secured in accordance with the provisions of section
457 38a-86.

458 (B) If a reinsurer's accreditation or certification is revoked, no credit
459 shall be allowed under this section on and after the effective date of such
460 revocation, except to the extent that such reinsurer's obligations under
461 such contract are secured in accordance with the provisions of
462 subsection (e) of section 38a-85a or section 38a-86.

463 (4) A reinsurer whose certification has been suspended, revoked or
464 voluntarily surrendered or is inactive shall be treated as a certified
465 reinsurer required to secure one hundred per cent of its obligations,
466 except that this requirement shall not apply to a reinsurer whose
467 certification has been suspended or is inactive if the commissioner
468 continues to assign a high rating to such reinsurer pursuant to section
469 38a-85a.

470 (5) Any person aggrieved by the action of the commissioner in
471 revoking or suspending an accreditation or a certification may appeal
472 therefrom in accordance with the provisions of section 38a-19.

473 [(k)] (l) (1) A domestic ceding insurer shall manage its reinsurance
474 recoverables in proportion to its own book of business. Such insurer
475 shall notify the commissioner not later than thirty days after (A)
476 reinsurance recoverables from any single assuming insurer or group of
477 affiliated assuming insurers exceed fifty per cent of the domestic ceding
478 insurer's last reported surplus to policyholders, or (B) the domestic
479 ceding insurer determines that reinsurance recoverables from any single
480 assuming insurer or group of affiliated assuming insurers are likely to
481 exceed such limit. Any such notice shall demonstrate that the exposure
482 is safely managed by the domestic ceding insurer.

483 (2) A ceding insurer shall manage its reinsurance program to ensure
484 diversification. A domestic ceding insurer shall notify the commissioner

485 not later than thirty days after (A) it has ceded to any single assuming
486 insurer or group of affiliated assuming insurers more than twenty per
487 cent of the domestic ceding insurer's gross written premiums in the
488 prior calendar year, or (B) the domestic ceding insurer determines that
489 the reinsurance ceded to any single assuming insurer or group of
490 affiliated assuming insurers is likely to exceed such limit. Any such
491 notice shall demonstrate that the exposure is safely managed by the
492 domestic ceding insurer.

493 Sec. 502. Subdivision (9) of subsection (a) of section 38a-25 of the
494 general statutes is repealed and the following is substituted in lieu
495 thereof (*Effective October 1, 2021*):

496 (9) Insurance companies designating the Insurance Commissioner as
497 agent for receipt of service of process pursuant to subsection [(h)] (i) of
498 section 38a-85, as amended by this act.

499 Sec. 503. Subparagraph (C) of subdivision (2) of subsection (a) of
500 section 38a-92m of the general statutes is repealed and the following is
501 substituted in lieu thereof (*Effective October 1, 2021*):

502 (C) An insurer not licensed in this state but that is licensed in, or in
503 the case of a United States branch of an alien insurer, is entered through,
504 a state that employs standards regarding credit for reinsurance
505 applicable to financial guaranty insurance corporations that are
506 substantially similar to those in this state and the assuming insurer or
507 United States branch of the alien insurer: (i) Otherwise complies with
508 the provisions of subparagraphs (B)(i) and (B)(ii) of this subdivision; (ii)
509 submits to the authority of this state to examine its books and records;
510 and (iii) meets the requirements of subsection [(h)] (i) of section 38a-85,
511 as amended by this act;

512 Sec. 504. Subsection (b) of section 38a-88 of the general statutes is
513 repealed and the following is substituted in lieu thereof (*Effective October*
514 *1, 2021*):

515 (b) (1) The commissioner may adopt regulations in accordance with

516 the provisions of chapter 54 to establish, in addition to the requirements
517 of sections 38a-85, as amended by this act, and 38a-86, requirements
518 relating to or setting forth (A) the valuation of assets or reserve credits,
519 (B) the circumstances under which credit will be reduced or eliminated,
520 and (C) the amounts and forms of security supporting reinsurance
521 agreements relating to (i) life insurance policies with guaranteed
522 nonlevel gross premiums or guaranteed nonlevel benefits, (ii) universal
523 life insurance policies with provisions that permit a policyholder to keep
524 such policy in force over a secondary guarantee period, (iii) variable
525 annuities with guaranteed death or living benefits, (iv) long-term care
526 insurance policies, or (v) any other life insurance, health insurance or
527 annuity products for which the National Association of Insurance
528 Commissioners adopts model regulatory credit for reinsurance
529 requirements.

530 (2) Any regulation adopted pursuant to subdivision (1) of this
531 subsection that relates to policies described in subparagraph (C)(i) or
532 (C)(ii) of subdivision (1) of this subsection may apply to reinsurance
533 agreements that include such policies issued on or after January 1, 2015,
534 and such policies issued prior to January 1, 2015, if risk pertaining to
535 such policies is ceded, in whole or in part, in connection with such
536 agreement on or after January 1, 2015.

537 (3) Any regulations adopted pursuant to subdivision (1) of this
538 subsection [:(A) May] may require the ceding insurer, in calculating the
539 amounts or forms of security supporting reinsurance agreements, to use
540 the Valuation Manual, as defined in section 38a-78, in effect on the date
541 such calculation is made, to the extent applicable. [; and]

542 [(B)] (4) [Shall] Any regulation adopted pursuant to this subsection
543 shall not apply to cessions to an assuming insurer [(i)] that (A) meets the
544 conditions set forth in subsection (g) of section 38a-85, as amended by
545 this act, (B) is certified as a reinsurer in accordance with the provisions
546 of section 38a-85a, or [(ii) (I) that] (C) maintains at least two hundred
547 fifty million dollars in capital and surplus, determined in accordance
548 with the National Association of Insurance Commissioners Accounting

549 Practices and Procedures Manual, including all amendments adopted
550 by the National Association of Insurance Commissioners and excluding
551 the impact of any permitted or prescribed practices, and [(II)] (i) is
552 licensed in at least twenty-six states, or (ii) is licensed in at least ten states
553 and licensed or accredited in a total of at least thirty-five states.

554 (5) The authority to adopt regulations pursuant to this subsection
555 does not limit the commissioner's general authority to adopt regulations
556 pursuant to subsection (a) of this section.

557 Sec. 505. Subsection (k) of section 38a-660 of the general statutes is
558 repealed and the following is substituted in lieu thereof (*Effective October*
559 *1, 2021*):

560 (k) (1) (A) To further the enforcement of this section and sections 38a-
561 660b to 38a-660m, inclusive, as amended by this act, and to determine
562 the eligibility of any licensee, the commissioner may, as often as the
563 commissioner deems necessary, examine the books and records of any
564 such licensee. Each person licensed as a surety bail bond agent in this
565 state shall, on or before January thirty-first, annually, pay to the
566 commissioner a fee of four hundred fifty dollars to cover the cost of
567 examinations under this subsection.

568 (B) If such person fails to pay such fee on or before January thirty-
569 first, annually, the license of such person shall automatically expire on
570 the February first immediately following, provided the commissioner
571 shall immediately reinstate any such license if the commissioner
572 receives such fee not later than thirty days after such expiration.

573 (C) The commissioner shall notify, not later than December fifteenth,
574 annually, each person licensed as a surety bail bond agent in this state
575 about such automatic expiration provision.

576 (2) The fees received by the commissioner pursuant to subdivision (1)
577 of this subsection shall be dedicated to conducting the examinations
578 under said subdivision (1) and shall be deposited in the account
579 established under subdivision (3) of this subsection.

580 (3) There is established an account to be known as the "surety bail
 581 bond agent examination account", which shall be a separate account
 582 within the Insurance Fund established under section 38a-52a. The
 583 account shall contain any moneys required by law to be deposited in the
 584 account and any such moneys remaining in the account at the [close of
 585 the fiscal] end of each calendar year shall be transferred to the General
 586 Fund.

587 Sec. 506. Section 38a-660m of the general statutes is repealed and the
 588 following is substituted in lieu thereof (*Effective October 1, 2021*):

589 The commissioner may adopt regulations, in accordance with the
 590 provisions of chapter 54, to (1) implement the provisions of section 38a-
 591 660, as amended by this act, and sections 38a-660b to 38a-660k, inclusive,
 592 and (2) establish continuing education requirements for persons
 593 licensed as surety bail bond agents in this state."

This act shall take effect as follows and shall amend the following sections:		
Sec. 501	<i>October 1, 2021</i>	38a-85
Sec. 502	<i>October 1, 2021</i>	38a-25(a)(9)
Sec. 503	<i>October 1, 2021</i>	38a-92m(a)(2)(C)
Sec. 504	<i>October 1, 2021</i>	38a-88(b)
Sec. 505	<i>October 1, 2021</i>	38a-660(k)
Sec. 506	<i>October 1, 2021</i>	38a-660m